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13 June 1963

MEMORANDUM FOR: The Comptroller

SUBJECT : BOB Reaction to CIA FY-1965 Fiscal Projection

REFERENCE : Comptroller Memo to DDCI, Subject as above, Dated 5 June 1963

1. DDCI approval of the recommendations proposed in subject memo will enable the Comptroller to take a major step forward into the management arena with respect to both the Agency itself and the Intelligence Community as a whole; in addition, such approval will promote the philosophy that review at the "summit" of the intelligence community's deployment and employment of its resources must be based upon the totality of money and manpower involved, <sup>in</sup>for with respect to any particular phase of the U.S. foreign intelligence and related efforts.

2. This opportunity to move forward against our own and the community's management problems with the degree of vigor necessary for success will be hampered if we accept, at the outset and without questions, the following restrictive and somewhat conflicting implications set forth in subject memo:

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a. [REDACTED] implies that the President has "directed" (us) to make a genuine effort to effect economies. This means to me that the DCI is required to re-validate not only the functions being performed by the Agency and the other members of the Community, but also the requirements and the directives which necessitate and authorize such functions.

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b. BOB does not accept the validity of our estimate that the Communications program and [REDACTED] will "cost" [REDACTED]. As we 25X1A1A do not have a cost-based budget there is no reason why BOB should question any one estimate more than another.

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c. [REDACTED] did not apparently mean to imply that the President had indicated that economies should be effected if necessary at the expense of the intelligence effort. This is a key point because if we approach the problem of achieving economy with the proviso that certain activities will at the outset be exempt from review, then you have in fact established a policy that any economies will be made at the expense of only certain activities, not all, which automatically places some of them in a second-class category and worst of all, prevents the DCI from truly managing the totality of the resources for which he is responsible.

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d. [REDACTED] apparently has in mind the elimination of programs as a way to economize and suggests that some of the Covert Action activities would be candidates for elimination. These activities are obviously attractive candidates for elimination by virtue of their size, eliminate one of them and a large chunk of money is saved at one fell swoop; on the other hand, it would take the cancellation of many FI projects (they average \$2500) to achieve the same result. The decision should be made on the relative importance of activities to the overall U.S. foreign intelligence effort including, for this purpose, covert action operations as a part of the overall effort even though they are not normally considered to be "intelligence" activities.

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e. Any re-evaluation of activities such as [REDACTED] etc., appeared superfluous in view of the fact that "independent investigations at a policy level conducted outside of the Agency had resulted in a decision to continue and indeed expand these programs. If these decisions were made prior to the President's directive to economize and unless his "directive" specifically excluded them from consideration, they certainly should be re-examined along with all other activities. If the investigation of these activities and the final decisions were made without reference to the totality of the Agency's responsibilities and resources available or necessary to carry them out, their validity in light of the President's new directive is open to question; acceptance of these decisions without re-examination will have the effect of down-grading all other activities conducted by the Agency.

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f. A DD/P review of the balance of the Covert Action program identified no very substantial possibilities for retrenchment "with-in existing policy directives." If the President has in fact "directed" the DCI to seek economies, then the policy directives themselves should be subject to the same re-examination as the activities performed to carry them out.

g. In the FM field "all existing policy pressures" have combined to occasion a rather substantial increase in the development of our facilities and resources. Here again, if it now is the President's policy to seek economy and if such a search is to be truly fruitful, then these "policy pressures" must be re-examined in light of this presumably over-riding policy of economy.

h. The registries of OCR and the NIS (are) the only areas (in the DDI) where further intensive review seemed likely to result in

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economies "under existing policies". If we eliminated these activities entirely we would save, on the basis of the FY-1965 projection, the equivalent of slightly more than a 10% reduction in just the PP part of the overall covert action effort. Furthermore, our obligation to provide these "services of common concern" is no less firm than it is for any other function performed in the DD/I.

i. The size and cost of Communications, NPIC and Research, of course, are increasing "under approved directives". Here again, if there is in fact a Presidential directive to economize, these previously "approved directives" should be subject to re-examination in light of the new policy.

j. Just how much austerity the Agency should voluntarily be prepared to accept appears to me a matter which must be established (within reasonable parameters) as a matter of policy. One essential ingredient of any such policy that is established with respect to this matter, should be establishment of the principle that any determination of the degree of austerity the Agency can accept should be based upon a re-examination of not only the totality of our assigned responsibilities and the activities performed to meet them, but also the requirements, directives, etc., on which they are based.

3. Under PL-253 the DCI as head of the Agency has the statutory duty to advise and make recommendations to the NSC (in practical terms, the President) in matters concerning the intelligence activities of the Government. In light of this statutory responsibility and in order to implement in the most effective manner the President's directive to economize, I cannot see how the Director can be estopped from re-examination of every pertinent factor involved in the problem and that must necessarily include the reasons why we do things, who wants them done, and their proper priority status under an over-riding policy to economize.



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